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BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

Arizona Corporation Commission

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AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
JOHNSON UTILITIES L.L.C. FOR APPROVAL  
TO EXPAND THE SERVICE AREA TO INCLUDE  
BELLA VISTA NORTH AND MERRILL RANCH  
EXPANSION #1.

DOCKET NO. WS-02987A-12-0136

**STAFF'S NOTICE OF FILING  
REPLY**

On May 22, 2013, Staff filed its closing brief in the above captioned matter. Staff intended that its closing brief be a comprehensive expression of its position. However, based on Staff's review of the brief filed by Johnson Utilities, Inc. ("Company"), Staff is providing the following reply. This reply is not intended as a response on the merits to the Company's brief. Rather, as noted in the Company's brief, discussions have been ongoing and Staff's recommendations have evolved in light of those discussions as will be discussed further below. Consequently, Staff's silence in response to any argument on the merits that was expressed in the Company's brief does not represent agreement to the Company's view on the merits.

Staff will note that the Company has observed Staff's ongoing discussion as to what are the requirements of A.A.C. R14-2-402(B)(5)(n). To the extent that Staff's understanding of the rule has improved since the application for the Company's CC&N extension was made, Staff acknowledges that the determination that the application was sufficient in the absence of the preliminary engineering reports was premature. Based upon A.A.C. R14-2-402(B)(5)(n), the application did not meet the minimum requirements necessary to grant an extension of its Certificate of Convenience and Necessity ("CC&N").

However, to reduce issues in the processing of this application, Staff has modified its recommendations. Because of the issuance of additional Notices of Violation ("NOV") from the Arizona Department of Environmental Quality ("ADEQ"), noted in Staff's Notice of Filing

1 Supplement to Closing Brief docketed June 17, 2013, Staff recommends that all areas requested in  
2 the application be granted subject to an Order Preliminary ("OP"). When the Company resolves the  
3 NOVs, Staff recommends that the Company receive conditional CC&N for all requested extension  
4 areas except Merrill Ranch Expansion One Units 59A, 59C, 59D, and 59E. For those specified units,  
5 Staff recommends that those areas continue to be approved subject to an OP until ADEQ Approvals  
6 to Construct ("ATC") water and wastewater facilities for the first parcel of each specified Unit are  
7 docketed. Specifically, Staff's OP recommendations are as follows:

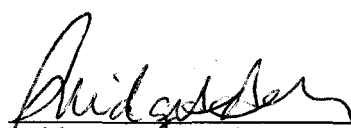
- 8       1. Staff recommends the Commission grant an Order Preliminary for the Bella  
9       Vista Farms areas requested by the Company for water service and for the  
10       Merrill Ranch Expansion One area requested by the Company, for water and  
11       wastewater service, with the following conditions:  
12       2. Staff recommends that the Company file updated ADEQ Compliance Status  
13       Reports indicating that all water and wastewater systems are in compliance with  
14       ADEQ regulations by December 31, 2014.  
15       3. Staff recommends for Merrill Ranch Expansion One that the Company docket  
16       as a compliance item in this docket no later than May 1, 2019 for Unit 59A;  
17       November 1, 2019 for Unit 59D; May 1, 2020 for Unit 59C; and November  
18       2020 for Unit 59E, a copy of the ADEQ-ATC for water and wastewater  
19       facilities needed to serve the first parcel in each Unit.  
20       4. Staff further recommends that Staff be required to file, within thirty days of the  
21       Company's filings for each Phase or Unit described in recommendation 3  
22       above, a Staff response to the filings for each Unit, in the form of a Proposed  
23       Order confirming compliance and granting a conditional CC&N for an  
24       extension to include the areas included in the Order Preliminary; and that the  
25       Proposed Order confirming compliance should then be scheduled as soon as  
26       possible for a Commission vote.  
27       5. Staff further recommends that, if the Company does not timely comply with the  
28       requirements contained in Staff recommendation 3 for any Units, the Order  
29       Preliminary approved herein shall be deemed null and void for those Units.

30       When the Company resolves its NOV issues with ADEQ and the Commission approves the  
31       grant of conditional CC&Ns for the Company for its requested areas, Staff has additional  
32       recommendations for the conditional CC&Ns. Staff's additional conditional CC&N  
33       recommendations are as follows:

- 1           6.     Staff recommends that the Company be required to provide separate  
2           wastewater descriptions for each wastewater system (for example, separate  
3           wastewater flows including peak flow and average flow) in future  
4           Commission Annual Reports, beginning with the 2013 Annual Report filed in  
5           2014.
- 6           7.     For Bella Vista Farms Phases One through Five, Staff recommends that the  
7           Company file, as a Compliance item in this Docket, a copy of the ADEQ-  
8           ATC for water facilities needed to serve the first parcel in the requested  
9           extension areas by the following dates: for Phase One, by August 1, 2014; for  
10          Phase Two, by August 1, 2014 for parcels C&D and August 1, 2015 for  
11          parcels E and F; for Phase Three by June 1, 2015; for Phase Four by  
12          December 1, 2017; and for Phase Five, by August 1, 2022.
- 13          8.     For Merrill Ranch Expansion One Units 53A, 53B, 55A, 55C, 55B, 57A, 57B,  
14          59B, and Phase 3, Staff recommends that the Company file, as a Compliance  
15          item in this Docket, a copy of the ADEQ-ATC for water and wastewater  
16          facilities needed to serve the first parcel in the requested extension areas by  
17          the following dates: for Unit 53A, by May 2015; for Unit 53B, by November  
18          2015; for Unit 55A, by May 2016; for Unit 55C, by November 2016; for Unit  
19          55B, by May 2017; for Unit 59B, by November 2018; and for Phase 3, by  
20          December 1, 2016.

21           For all the above stated reasons, Staff recommends that the Commission award the Company  
22           an Order Preliminary for all requested extension areas. Upon resolution of its pending ADEQ NOV's,  
23           Staff recommends that the Company receive conditional CC&Ns for all but four requested areas and  
24           that those four areas continue to be granted subject to an Order Preliminary until ADEQ ATCs are  
25           docketed.

26           RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of August, 2013.

27             
28           Bridget A. Humphrey, Staff Attorney  
             Matthew Laudone, Staff Attorney  
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1 Original and thirteen (13) copies  
2 of the foregoing were filed this  
3 6<sup>th</sup> day of August, 2013, with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, Arizona 85007

8 Copy of the foregoing mailed/and or emailed  
9 this 6<sup>th</sup> day of August, 2013, to:

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